

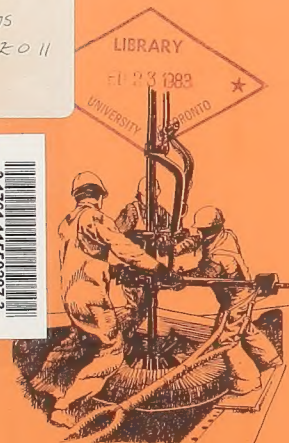
The Canada Oil and Gas Lands Administration

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Canada

The Challenging Frontier

The Canada Lands represent our most challenging energy frontier. The Institute of Sedimentary and Petroleum Geology estimates there is a potential of 4.6 billion cubic metres (29 billion barrels) of oil and 8.5 trillion cubic metres (300 trillion cubic feet) of natural gas in the Canada Lands. The lands (see map) are made up of 6.4 million square kilometres (under the jurisdiction of the Minister of Indian and Northern Affairs in the Yukon, the Northwest Territories and other areas north of 60 degrees latitude), and about 3.8 million square kilometres (under the jurisdiction of the Minister of Energy, Mines and Resources off the East and West Coasts). It has been estimated that the oil and gas industry will spend some \$40 billion on exploration, development and production in the Canada Lands during the next 10 years and \$75 billion during the next 15 years, with generous financial assistance from the Government of Canada.

The Canada Oil and Gas Lands Administration (COGLA) was established by the two ministers to manage oil and gas activity over this vast area. The Administration became fully operational in March 1982 when the Canada Oil and Gas Act was proclaimed. COGLA was charged with implementing the government's new resource management regime for the Canada Lands, as stated in the National Energy Program of October 1980. The NEP emphasizes increased Canadian ownership and control of the oil and gas industry, a fair return to all Canadians from their resources and increased oil production to give Canada oil self-sufficiency.

In addition to the Canada Oil and Gas Act, COGLA administers other important legislation regulating the Canada Lands activities of the industry. Chief among these is the Oil and Gas Production and Conservation Act. COGLA's responsibilities include regulations governing safety, conservation of resources and protection of the environment.

Main Contact

COGLA, then, is the main operational contact for the industry working in the Canada Lands for most phases of exploration, development and production activity.

The Administration reports to the Minister of Energy, Mines and Resources with respect to the government's energy policy and to the Minister of Indian and Northern Affairs with respect to the government's northern policy, according to the jurisdiction of each in the Canada Lands. The oil and gas management functions of the two departments were pooled in COGLA.

When COGLA was established, Energy, Mines and Resources retained responsibility for national energy strategy, agreements with provincial governments on offshore Canada Lands and the department's conformance with the environmental review process. Indian and Northern Affairs retained responsibility for environmental management and protection, socio-economic benefits for residents of the North, agreements with territorial governments and overall planning of resource development in the North.

Through close daily contact with officials in both departments and a policy review committee of senior officials, COGLA ensures that resource management reflects ministerial responsibilities in their respective jurisdictions.

The Administration works in cooperation with other departments and agencies of the federal government. For example, COGLA has close ties with the Department of the Environment and the Department of Fisheries and Oceans on environmental concerns and with the Office of Industrial and Regional Benefits and the Canada Employment and Immigration Commission to promote maximum economic benefits for all Canadians from resource development.

Within the provinces, COGLA is responsible for more than 200,000 hectares on which the federal government holds mineral rights. More than 110 producing oil and gas wells on these lands mean about \$3 million a year in revenue to the federal government. COGLA is also responsible for the management of non-fuel minerals in offshore areas under the jurisdiction of the Minister of Energy, Mines and Resources.

Working Together

It is the Government of Canada's intention that COGLA's mandate be integrated with that of other orders of government. In March 1982 the federal and Nova Scotia governments signed an agreement creating the Canada-Nova Scotia Offshore Oil and Gas Board. The agreement is without prejudice to any ownership or jurisdictional rights of either government in the offshore.

Through the Board, which is chaired by the COGLA Administrator, representatives of the federal and Nova Scotia governments jointly manage resource development off the Nova Scotia coast. Under the agreement, the Nova Scotia representatives have special powers over key resource management decisions for up to one year in order to ensure full consideration of provincial concerns. The agreement also establishes a regime for the sharing of resource revenues between the two levels of government, which will provide a significant new source of revenues for the Nova Scotia government when offshore production begins.

Activities of the oil and gas industry in Canada Lands are managed by COGLA through a multi-phased approval system.

As a first step, companies are required under the Canada Oil and Gas Act to renegotiate existing interests in the Canada Lands. The Act allows up to a year for this process.

Exploration agreements between companies and the federal government essentially establish the area where companies will explore for petroleum resources. They usually have a term of less than five years. During the term, companies agree to minimum exploration work to be performed, including seismic and drilling programs and related environmental work.

How it Works

To ensure prudent Canada Lands resource management, new exploration agreements provide for the return to the Crown of a portion of the lands, often about 50 per cent, during the term of the agreement. Companies will keep all discoveries they have made, as well as additional prospects which they are prepared to drill. They also will have first choice of additional land blocks which they believe to be most promising. But COGLA, through an alternating process of selection with the company, will also have an opportunity to choose land blocks for the Crown. This process is in keeping with the government's policy that land should be held by oil and gas companies only to the extent that they can actively explore it. It will ensure that lands are constantly being returned to the Crown to be held or reissued, so that an appropriate pace of exploration can be established.

The Canada Oil and Gas Act requires a Canada Benefits plan satisfactory to the Minister before commencement of any work program under an exploration agreement or a development plan. This ensures that Canadians are given full and fair access on a competitive basis to the industrial and employment benefits arising from exploration programs. Included is a program of related social and economic activities. Affirmative action plans to aid disadvantaged groups such as native people may also be required. Other relevant aspects include the extent to which Canadian partners will be active participants in exploration and acquire the technical knowledge that they need to enable them in time to become Canadian Lands operators in their own right.

Environmental protection is achieved largely through COGLA's tight regulation and control over specific activities. Companies must obtain approval for their overall drilling programs; detailed approval for each well they wish to drill and approval for all installations related to oil and gas development and production. By insisting on prior approval for all work undertaken, and on regular inspections, COGLA can be sure that the work is not only environmentally sound, but meets such other concerns as occupational health and safety. This is particularly true in northern Canada, where close collaboration with branches within the Department of Indian and Northern Affairs en-

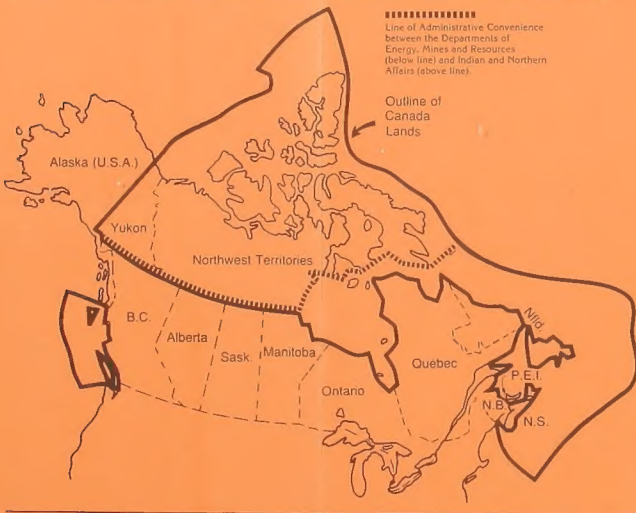
tures that the minister's responsibilities are fully met.

Companies must provide COGLA with a detailed contingency plan outlining the response that will be made in the event of an accident. They must also guarantee prompt payment to correct any environmental damage. They will contribute to Environmental Studies Revolving Funds. These funds are intended to raise the level of relevant scientific knowledge about the Canada Lands to assist in making operations environmentally safe. The departments of Envi-

ronment and Fisheries and Oceans will advise on studies required under the funds, together with the Northern Environment Branch of Indian and Northern Affairs and COGLA.

By working closely with the Northern Affairs Program and through the two territorial governments, Northerners are involved and their interests given full consideration in all decisions on northern oil and gas activity. The Canada Oil and Gas Act clearly specifies that it in no way diminishes any aboriginal title, right or claim.

The Canada Lands



The Branches

COGLA drew much of its staff from previous resource management offices in the departments of Energy, Mines and Resources and Indian and Northern Affairs. The Administration has six branches.

The *Land Management Branch* negotiates the working parts of exploration agreements with companies in the industry. These agreements establish the areas where companies will explore, the work commitments, the tenure and the rate at which land will be relinquished to the Crown. It also administers other rights in the Canada Lands such as production licences and provisional leases. The administration of royalties and taxes is handled by this group.

The *Engineering Branch* is chiefly responsible for regulation of exploration, development and production. The Oil and Gas Production and Conservation Act is the main legislative guide for this group. It issues permits to undertake seismic work or drilling only after completing extensive environmental clearance procedures and safety inspections of equipment.

Both of these groups get help from the *Resource Evaluation Branch* staff, who advise Land Management on the potential of the lands under consideration and advise the engineers on the geology.

The *Environmental Protection Branch* assesses potential hazards, including oil spills and gas leaks, and the precautions needed to avoid them. It sees that all environmental aspects are addressed before agreements are finalized or permits issued. Staff of the branch evaluate the impact of the environment on oil and gas operations and ensure that conditions are appropriate for the level of activity. They also ensure that adequate safeguards are in place should a mishap occur. This branch will manage the Environmental Studies Revolving Fund (EMR) and collaborates with the Northern Environment Branch of the Department of Indian and Northern Affairs for studies in the North.

The *Canada Benefits Branch* examines the industry's planned activities to ensure that Canadians are given a full and fair opportunity to compete. The benefit package is initially defined during the course of negotiations for exploration agreements and development plans, followed by a monitoring and review process as activity proceeds. It includes both business

opportunities and employment benefits, especially for people living near the resources being developed. The work of this branch is co-ordinated with the Northern Affairs Program which, in collaboration with the two territorial governments, reviews those packages involving northern lands.

The *Policy Analysis and Co-ordination* group develops policy to guide COGLA's operations and is responsible for COGLA's relationship with EMR and INA and co-ordinating its activities with officials elsewhere in the federal and provincial governments. With so many different interests involved in exploration activities in frontier regions, a constant flow of information and advice, provided by this group, is crucial to COGLA's work.

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